

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 57th LEGISLATURE - REGULAR SESSION COMMITTEE ON STATE ADMINISTRATION

Call to Order: By **CHAIRMAN ALLAN WALTERS**, on January 31, 2001 at 8:00 A.M., in Room 455 Capitol.

ROLL CALL

Members Present:

Rep. Allan Walters, Chairman (R)
Rep. Debby Barrett, Vice Chairman (R)
Rep. Tom Dell, Vice Chairman (D)
Rep. Norma Bixby (D)
Rep. Dee Brown (R)
Rep. Donald L. Hedges (R)
Rep. Hal Jacobson (D)
Rep. Larry Jent (D)
Rep. Michelle Lee (D)
Rep. Larry Lehman (R)
Rep. Ralph Lenhart (D)
Rep. Gay Ann Masolo (R)
Rep. Douglas Mood (R)
Rep. Alan Olson (R)
Rep. Holly Raser (D)
Rep. Rick Ripley (R)
Rep. Clarice Schrumpf (R)
Rep. Frank Smith (D)

Members Excused: None.

Members Absent: None.

Staff Present: Sheri Heffelfinger, Legislative Branch
Ruthie Padilla, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: HB 294, 1/24/2001
Executive Action: HB 326; HB 370; HB 281; SB 37;
HB 372

HEARING ON HB 294

Sponsor: REPRESENTATIVE DAVE LEWIS, HD 55, HELENA

Proponents: Dave Senn, Teachers Retirement System
Mike O'Connor, Montana Public Employees Retirement
Association (MPEA)
Tom Bilodeau, MEA-MFT
Stephen Kologi, Association of Montana Retired
Public Employees
Tom Schnieder, Montana Public Employees
Association
Representative Hal Jacobson, HD 54, Helena
Diane Huber, Montana Retired Teachers School
Personnel Association
Charlotte Thomas, Montana Retired Teachers School
Personnel Association
Bill Eiker, Retired Teachers Association
Natalie Fitzpatrick, Montan Retired Teachers
School Personnel Association
Bob Vogel, Montana School Board Association
Wayne Buchanan, Board of Public Education
Jim Smith, Montana Sheriffs and Piece Officers'
Association
Don Walters, Retired Teacher
Bob Palvourch, Firefighters Unified Retirement
System
Jerry Williams, Montana Police Protective
Association
Robert Martinka, Citizen
Terry Teichrou, Public Employees Retirement Board
Wilard Kramlich, Retired Highway Department
Vic Duran, Montana Retired Firefighters
Association
Bud Tate, Retired Firefighter
Bea Steen, Association of Montana Retired Public
Employees (AMPRE)
Jim Chaestnachet, Association of Montana Retired
Public Employees (AMPRE)
Troy McGee, Montana Chiefs Police Association
Vale Taliaferro, Montana Association of Retired
Public Employees
Charles Stohl, Citizen

Warren Brass, Association of Montana Retired
Public Employees
Earl Casagrande, Retired Firefighter
Julie Ippolito, Montana Retired Education
Assoication
Howard Lowson, Retired Teacher, Butte
Irene Theures, Montana Retired Teachers School
Personnel Association
Alve Thomas, Montana Retired Teachers School
Personnel Association
Bob Bergron, Montana Retired Teachers School
Personnel Association
Pat Connors, Montana Retired Teachers School
Personnel Association
Earl Olson, Montana Retired Teachers School
Personnel Association
Terry Minow, MEA-MFT
Andrew Arnala, Montana Retired Teachers School
Personnel Association
Mark Taylor, AMHP

Opponents: None

Opening Statement by Sponsor:

{Tape : 1; Side : A; Approx. Time Counter : 0}

REPRESENTATIVE DAVE LEWIS, HD 55, HELENA, stated we have a problem facing a lot of our retirees at the present time. The state has not been generous to the folks that have retired over the past 20-30 years. The average PERS retiree benefit is currently \$600.00 a month with an increase of \$75.00 a month each year in health insurance for the next two years. The number one issue of the bill is to maintain the purchasing power for the public employee retirees. It will also increase the minimum benefit for teachers' retirees to \$600.00 a month. It requires a guaranteed annual benefit adjustment for the public employees retirement system of 3% per year and reduces the waiting period for that benefit to one year. The bill also states that employees who receive lump sum benefits, will not be able to use that lump sum benefit to improve their average salary for calculation of retirement. The cost of these benefit increases will be absorbed within the funds. PERS is completely funded and vested.

Proponents' Testimony:

{Tape : 1; Side : A; Approx. Time Counter : 7.3}

Dave Senn, Teachers Retirement System, stated this will grant the Teachers Retirement Board the option to increase benefit as funding is available. As there is money in the system this can be done up to 25 years.

Mike O'Connor, Montana Public Employees Retirement Association (MPEA) stated the board is in support of this piece of legislation. It effects 47,000 members of the systems they administer and will address the older retirees. He submitted and discussed results of actuarial valuation - 3% GABA.
EXHIBIT (sth25a01)

Tom Bilodeau, MEA-MFT, submitted written testimony, information, and graphs. **EXHIBIT (sth25a02)**

Stephen Kologi, Association of Montana Retired Public Employees, stated the organization is 100% in support of the bill.

Tom Schnieder, Montana Public Employees Association, stated the association represents 7,000 active and retired employees from all areas of the state. All of the people are in full support of the bill. They have spent the last two years working with an interim committee that was very concerned about health insurance, not only for state, university, and school district employees, but for the private sector as well. This proposal is the only piece of legislation to have come out of the committee that dealt with individuals already retired. It is needed to help the people in this state.

Representative Hal Jacobson, HD 54, Helena, stated he has met many of these people from going door to door over the years and they are people who have dedicated their lives to public service. This piece of legislation is nothing more than a piece of legislation that helps to thank them for all the great years of service that they have rendered to state government and to our schools. He strongly urged the support of this bill.

Diane Huber, Montana Retired Teachers School Personnel Association, submitted written testimony. **EXHIBIT (sth25a03)**

Charlotte Thomas, Montana Retired Teachers School Personnel Association, submitted written testimony. **EXHIBIT (sth25a04)**

Bill Eiker, Retired Teachers Association, submitted written testimony. **EXHIBIT**(sth25a05)

Natalie Fitzpatrick, Montana Retired Teachers School Personnel Association, stated the cost of insurance and medications are increasing much more rapidly than any increase in pension benefits received and is just a matter of fairness. She felt it may be along time before they receive a 3% increase, because they will only receive increases as they are available through the funding on the investment income. It does not cost the tax payers of the state a single penny to do this and hopes for the support of this bill.

Bob Vogel, Montana School Board Association, stated trustees want to see dedicated employees who have put in 25-30 years or more of service to students and school districts, be able to make important decision, like that of retirement.

Wayne Buchanan, Board of Public Education said one of the good features of the bill has to do with the crisis of teacher recruitment and retention in the State of Montana. The shortage of teachers here is very serious and very real and this bill will help with that situation. Due to teachers low initial pay, their retirements are generally low as well. If this legislation passes with the increase, they can then say the teachers retirement benefits are good. This is something the state can do for teachers and they hope for the passage of this bill.

Jim Smith, Montana Sheriffs and Piece Officers' Association, stated the Sheriffs Retirement System is one of the safety retirement systems in place. It is a solid system that can absorb the 3% increase being proposed today.

Don Walters, Retired Teacher, stated he retired 10 years ago, after 34 years of teaching. Since that time he has been doing part-time jobs to survive. He feels it cannot be done on the retirement they are receiving now and begs the committee's support.

Bob Palvourch, Firefighters Unified Retirement System, stated the firefighters go out and save homes and put their lives on the line all the time with a disaster or a fire. The money is available in the fund, and feel they deserve a do pass motion on this bill.

Jerry Williams, Montana Police Protective Association, stated on behalf of their active and retired officers, they urge the support of this bill.

Robert Martinka, Citizen, submitted written testimony.
EXHIBIT (sth25a06)

Terry Teichrou, Public Employees Retirement Board, commented, he encourages the support of the bill.

Wilard Kramlich, Retired Highway Department, asked for the support of the bill for the following reasons: The year 2000 medical insurance premiums for a retiree and spouse is \$335.60 a month. Year 2001 premiums for the same insurance coverage will be \$380.60 a month, an increase of \$45.00. A 1.5% GABA increase amounts to \$17.92, a net loss of \$27.08. A 3% increase would only be \$35.83. Blue Cross and Blue Shield were asking for the same \$45.00 increase for the calendar year of 2002 and this is not the only inflation or increase that will affect retirees in the next two years. With this information, he asks for the committees' support.

Vic Duran, Montana Retired Firefighters Association, commented, the bill is well supported and they want to show their support as well to this bill.

Bud Tate, Retired Firefighter, said he is in full support of the bill. He retired in 1983 and the last GABA increase he received was the first increase he has received since 1983.

Questions from Committee Members and Responses:

{Tape : 1; Side : B; Approx. Time Counter : 0}

REPRESENTATIVE BROWN stated it was her understanding that individuals who received a lump sum of comp time at retirement, it would not be included in the calculation of their retirement benefits. **REPRESENTATIVE LEWIS** replied, it does state that on page 9, line 18.

REPRESENTATIVE DELL stated it's nice to have a bill with no fiscal impact, However, we know we are still ultimately responsible for the integrity and viability of the pension funds. We don't want to see a hit to the general fund, but yet we certainly don't want to see a hit to the pension funds, in terms of their unfunded liabilities going too far out into the future. We have to ensure when doubling the GABA, we don't put the pensions at risk. He then asked if there were any concerns with doubling the GABA from 1.5% to 3%. **Mike O'Connor** replied, in years past there has been an unfunded liability and the concern was expanding that out and being able to afford any benefit increases. Today, we do not have an unfunded liability, and the bill does not create an unfunded liability. Because of that, his

comfort level with this is very high. The investment professionals who invest the money do very well and feel they will continue to do the best.

REPRESENTATIVE LEHMAN stated he has heard the statistic that possibly 50% of the state teachers are going to be retiring in the next five years. This would have a tremendous affect on whether or not this increase is actually going to take place for those individuals in the teachers retirement. **Dave Senn** said, if 50% of the teachers are going to retire over the next year, they are not planning for it and are not staffed for it, and would be extremely surprised if this were to take place. For years, they have seen approximately 250-300 people retire each year. Currently it is about 500 as the baby boomers are starting to move into retirement. We expect that amount to increase to about 700 per year. There are about 18,000 teachers in the state of Montana, and is unlikely they will see 50% of the teachers retire in the next few years. **REPRESENTATIVE LEHMAN**, clarified, there are 50% of teachers eligible to retire, not 50% that are going to retire. **Dave Senn** replied, there are not 50% eligible. Even today, 30% are eligible for retirement. Eligibility is extended to anyone of age 50 with a minimum of 5 years of service. The 30% is eligibility for full retirement, which are individuals with at least 25 years in the system.

REPRESENTATIVE MOOD asked what total effect the stock market had on the retirement assets in the year 2000. **Mike O'Connor** replied, in the board of investments, it was a million dollar book value and the end of the year market value was 1.6.

REPRESENTATIVE MOOD clarified, he wanted to know what was the fair market value at the beginning of the year 2000 and what was the fair market value at the end of the year 2000. **Mike O'Connor** said he did not know the answer to that, but he could get that answer.

REPRESENTATIVE MOOD asked **David Senn** if he could provide the committee with a spreadsheet on the teachers retirement system, somewhat similar to the spreadsheet they received on PERS retirement. **David Senn**, replied, he can presently give him that information. If they receive a 1.9% increase in the GABA on January 1, 2002, the unfunded liability would be 106 million dollars. Over time they will need to collect a lot of money to pay that. Currently, the GABA is 1.5%, and if we go to 1.9%, that is about a 30,000.00 per month increase in benefits being paid out every month. He then stated he also has the information on the unfunded liability for the teachers retirement system at the beginning of the year and at the end of the year. The total investment at fair value on July 1, 1999 was \$2.1 billion and on

July 1, 2000, it was \$2.3 billion. This was about a \$200 million dollar increase in fiscal year 2000.

REPRESENTATIVE DELL stated, he understands the surplus goes from 569 million down to 300 million. He wondered if the surplus would diminish over the long term. **Mike O'Connor** said he asked the actuary that question and they said it would not diminish because you are receiving an eight percent return on that money so it will grow.

Closing by Sponsor:

{Tape : 2; Side : A; Approx. Time Counter : 8.1}

REPRESENTATIVE LEWIS stated he has the board of investments annual report, which may answer some questions the committee may have. He is a retired public employee and this will provide some increase in his benefits (about a tank of gas a month).

EXECUTIVE ACTION ON HB 326

{Tape : 2; Side : A; Approx. Time Counter : 11.1}

Motion: REP. DELL moved that HB 326 DO PASS.

Discussion:

REPRESENTATIVE DELL gave some clarification for **REPRESENTATIVE GALVIN-HALCRO**. **EXHIBIT**(sth25a07)

REPRESENTATIVE JENT stated he does not like permissive election procedures, which in state-wide elections are solely up to the County Clerks and Recording, therefore, he is going to vote no on the bill.

REPRESENTATIVE BROWN said she feels the same way as **REPRESENTATIVE JENT** and feels we should not do "either" or "or". If they are going to be cleaning up language, it should be for everyone or no one.

REPRESENTATIVE OLSON stated, he also feels the ballots should be standardized.

REPRESENTATIVE HEDGES said he wanted to be on record as being against the option for party symbol. Many of the house districts in Eastern Montana are multiple counties.

Motion/Vote: REP. DELL moved that **HB 326 BE CONCEPTUALLY AMENDED.**
Motion carried unanimously. 18-0

Motion/Vote: REP. JACOBSON moved that **HB 326 DO PASS AS AMENDED.**
Motion carried 15-3 with Barrett, Mood, and Walters voting no.

EXECUTIVE ACTION ON HB 370

{Tape : 2; Side : A; Approx. Time Counter : 24.2}

Motion: REP. DELL moved that **HB 370 DO PASS.**

Discussion:

REPRESENTATIVE OLSON said if you cannot take the pressure of lobbyist, then maybe you should not be running for office. He does not want to see them start exempting certain segments of government from approaching legislatures with concerns on bills. Those people know about the issues going on and need to be able to have their input.

REPRESENTATIVE BARRETT said she is concerned when four individuals from one office spends the whole morning in a hearing. Who is in the office doing the work? They are not registered lobbyists. They are designated by their agency to be here, but what does that do to the rest of the office? She does not want to limit them completely, it is important to hear from them, however, she does not see the need of four of them at one time. There needs to be some limit

REPRESENTATIVE SMITH said these people are not lobbyists, they are informational witnesses and does not feel this bill is going to carry them anywhere.

REPRESENTATIVE BROWN stated she has some of the same concerns as **REPRESENTATIVE BARRETT.**

REPRESENTATIVE HEDGES said he is in opposition to the bill for the reason that he needs the input of the executive levels.

REPRESENTATIVE LENHART discusses non support to the bill.

Substitute Motion/Vote: REP. DELL made a substitute motion that
HB 370 BE TABLED. Substitute motion carried unanimously. 18-0

EXECUTIVE ACTION ON HB 281

{Tape : 2; Side : B; Approx. Time Counter : 2.0}

Motion: REP. DELL moved that HB 281 DO PASS.

Discussion:

REPRESENTATIVE OLSON stated the bill generated a lot of correspondence to him and therefore, will support this bill.

Motion/Vote: REP. BROWN moved that HB 281 BE AMENDED.

EXHIBIT(sth25a08) Motion carried 17-1 with Hedges voting no.

Motion: REP. OLSON moved that HB 281 DO PASS AS AMENDED.

Motion: REP. DELL moved that HB 281 BE AMENDED.

EXHIBIT(sth25a09)

Discussion:

Sheri Heffelfinger, discusses the two amendments to the committee and how they affect each other.

Motion: REP. DELL moved to withdraw his motion that HB 281 BE AMENDED.

Motion: REP. WALTERS moved to postpone consideration on HB 281 to form a sub-committee. Vote: Motion carried unanimously. 18-0

EXECUTIVE ACTION ON SB 37

{Tape : 3; Side : A; Approx. Time Counter : 7.7}

Motion: REP. MASOLO moved that SB 37 BE CONCURRED IN.

Motion: REP. JACOBSON moved that SB 37 BE CONCEPTUALLY AMENDED.

Vote: Motion failed 8-10 with Barrett, Hedges, Jent, Lenhart, Masolo, Mood, Olson, Raser, Schrumpf, and Smith voting no.

Discussion:

REPRESENTATIVE DELL said, if the bill passes, individuals will retire and return back to work to supplement their income. He

feels this will become a problem and is going to vote against the bill.

CHAIRMAN WALTERS stated he also is going to vote against the bill. People are given a bonus to retire, they take the bonus and then want their jobs back.

REPRESENTATIVE LENHART stated he feels the same as **REPRESENTATIVE DELL**. Full-time employees may start getting replaced with part-time employees and he does not feel that is a good thing.

REPRESENTATIVE OLSON said somewhere down the road, some of the other issues need to be addressed. For example, retired Highway Patrolman move over into PERS and put people out of work. The job description is written in a way where you have to be a retired Highway Patrolman to get the job. He feels that is double dipping.

Substitute Motion/Vote: **REP. DELL** made a substitute motion that **SB 37 BE TABLED. Substitute motion carried 14-4 with Hedges, Jacobson, Lee, and Masolo voting no.**

ADJOURNMENT

Adjournment: 10:47 A.M.

REP. ALLAN WALTERS, Chairman

RUTHIE PADILLA, Secretary

AW/RP

EXHIBIT (sth25aad)